



Alaska State Pension Investment Board

P.O. Box 110405
Juneau, Alaska 99811-0405
(907) 465-3749

Message from the Chair

I am pleased to present the 2005 Annual Report of Investments for the period ending June 30, 2005 to you, the participants and beneficiaries of the TRS retirement trust fund.

The Alaska State Pension Investment Board (ASPIB) is responsible for the investment of the money paid into the State public employees', teachers', judicial, and military retirement systems. In addition, ASPIB selects the investment managers for the Supplemental Benefit System and Deferred Compensation.

Trustees of ASPIB owe a fiduciary duty to the participants in the retirement systems and by law all investment decisions made by ASPIB must comply with the prudent investor rule. ASPIB consists of two elected members from the Public Employees' Retirement System (PERS), two elected members from the Teachers' Retirement System (TRS), three members appointed by the Governor, and the Commissioner of the Department of Revenue (DOR).

The trustees work hard to achieve an asset mix that provides the highest expected return for a given level of risk. Working closely with our dedicated staff in the Department of Revenue and our investment advisors and consultants, we established an investment mix that we believe will provide enhanced returns while maintaining a prudent level of risk. This asset allocation is reviewed annually and is designed to provide competitive returns at a reasonable level of risk. It is critical to remember that the System's assets are invested for the long-term. Our objective is to produce a very competitive long-term return that meets the System's funding requirements at an acceptable risk level. Therefore, we are encouraged to observe that the 13 ¾ year cumulative annualized return (the longest period available) of 8.75% compares favorably to the System's actuarial earnings assumption of 8.25%.

The Investment Report on the following pages provides more detail regarding the investment results of each asset category, as well as an economic overview of the market conditions existing during the past fiscal year.

The ASPIB serves as fiduciary for over 60,000 participants and beneficiaries. The trustees strongly believe that members should be kept well informed about the performance of the retirement funds and about what we as fiduciaries are doing on their behalf. To this end, we are proud of the ASPIB web site, which can be accessed at www.revenue.state.ak.us/treasury/aspib/default.asp. We continue to encourage member participation at our meetings, and welcome letters and comments.

On behalf of all the trustees, thank you for giving us the opportunity to serve as your fiduciaries.

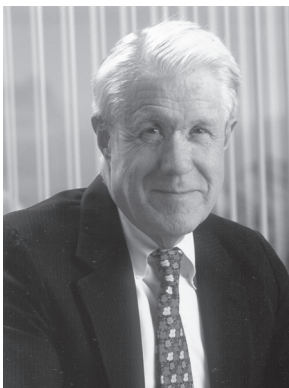
Sincerely,

A handwritten signature in black ink, appearing to read "Wilson Condon".

Wilson Condon, Chair

ALASKA STATE PENSION INVESTMENT BOARD

(as of June 30, 2005)



Wilson L. Condon, Chair

PERS Representative

Wilson L. Condon, Chair, was elected by the Public Employees' Retirement System. He is currently Chief of the Oil, Gas & Mining Section at the Department of Law. Previously, Mr. Condon was Commissioner of the Alaska Department of Revenue from 1995-2002. Prior to serving as commissioner, he was a partner in a private law firm from 1983-1995 and acted as lead counsel for the state in a series of oil and gas royalty and tax cases. He served as Attorney General from 1980 - 1982 and as Deputy Attorney General from 1975 - 1980. He holds an A.B. Political Science degree and a J.D. degree from Stanford University.



Dorothy Wells, Vice Chair

TRS Representative

Dorothy Wells, Vice Chair, was elected by the Teachers' Retirement System. A resident of Alaska for 37 years, Ms. Wells is a retired teacher who taught business education at Eielson Air Force Base, and business classes for the University of Alaska night school program at Eielson. She obtained her B.S. degree from the University of Minnesota/Minneapolis and did graduate work both there and at the University of Alaska/Fairbanks. Mrs. Wells served on the Teachers' Retirement Board for 20 years, and is active with NEA-Alaska/Retired.



James "Pat" Wellington, Secretary

PERS Representative

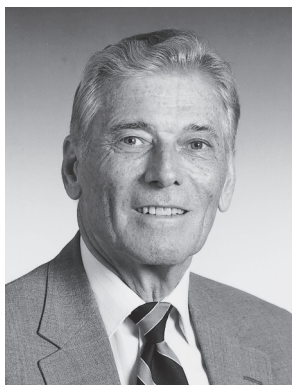
James "Pat" Wellington, Secretary, was elected by the Public Employees' Retirement System. Mr. Wellington was born in Ketchikan, Alaska, and graduated from Douglas High School. He served two years in the U.S. Army and started his law enforcement career with the Seward Police Department in late 1955. He served as Deputy U.S. Marshal, Alaska State Troopers, Chief of Police of Juneau, Deputy Commissioner and Commissioner of the Department of Public Safety, and retired in 1977 as Director of the Alaska State Troopers. Mr. Wellington is also the Chairman of the Public Employees' Retirement Board. He resides in Anchorage.



William Corbus

Statutory Representative

William Corbus was appointed Commissioner of the Department of Revenue in December 2002. He oversees an agency that has very diverse responsibilities, including tax collection, investing state funds, child support enforcement and distributing permanent fund dividends. Bill Corbus is the retired president of Alaska Electric Light and Power, the electric company that serves the Juneau area, where he has lived since 1970. He served as a Lt. J.G. in the U.S. Naval Reserve, including one year as an advisor to the Vietnamese Navy in 1962-63. Mr. Corbus then worked for Stone & Webster in New York City providing public utility security analysis, financial planning, and accounting. The Commissioner sits on nine boards, including the Board of Trustees of the Alaska Permanent Fund Corporation. Mr. Corbus holds a B.S. in industrial engineering from Stanford University and an MBA from the Amos Tuck Graduate School of Business Administration at Dartmouth College.


Merritt C. Olson

TRS Representative

Merritt C. Olson was elected in 1992 to serve as a trustee on the newly-created ASPIB and was reelected for three more terms. Mr. Olson served previously as a trustee for the Teachers' Retirement Systems Board. He also served as president of NEA-Alaska/Retired and sat on the national NEA-Retired Advisory Council for six years. He earned the doctoral degree in psychology from Rutgers University and was a Fulbright scholar and lecturer at the University of Ibadan in Nigeria. Dr. Olson taught mathematics in Anchorage secondary schools and served as an adjunct professor of psychology at the University of Alaska Anchorage and at Alaska Methodist University.


Martin Pihl

Appointed by the Governor

Martin Pihl was appointed to the board in 2003 by Governor Murkowski. Mr. Pihl came to Alaska in 1962 to work for Ketchikan Pulp Company, becoming President and General Manager in 1987 until his retirement in 1994. He then served as Acting Executive Director for the Alaska Permanent Fund Corporation in 1994-1995. Mr. Pihl serves as a director of National Bank of Alaska and on Wells Fargo Bank's Alaska Statewide Advisory Board, as Chairman of the Board of Governors of the Alaska Timber Insurance Exchange, and as a regent for Pacific Lutheran University. He is also a member of several advisory boards including Holland America-Westmark-Ketchikan Advisory Board, Ketchikan Ports and Harbors Advisory Board, and Alaska Airlines Southeast Alaska Community Advisory Board. Mr. Pihl holds a BA in Accounting from the University of Washington and has been a CPA since 1958.


Gail R. Schubert

Appointed by the Governor

Gail R. Schubert was first appointed to the board by Governor Hickel, then reappointed by Governor Knowles and Governor Murkowski. She is currently Executive Vice President and General Counsel to Bering Straits Native Corporation, President of four of its 8(a) subsidiaries, and of counsel to the law firm of Amodio, Stanley & Reeves LLC in Anchorage. From 2002 to 2003, Mrs. Schubert was General Counsel to Southcentral Foundation, and from 1995 to 2002 she was a member of Foster Pepper. From 1992 to 1995, Mrs. Schubert practiced law at Birch, Horton, Bittner & Cherot, and from 1982 to 1992, Mrs. Schubert practiced law in New York City at the firms of Rogers & Wells; Fried and Frank, Harris, Shriver & Jacobson; and the Federal Reserve Bank of New York. Mrs. Schubert attended the School of Law at Cornell University; the Johnson School of Management (MBA) at Cornell; and Stanford University. She serves as Chair of the Boards of the Alaska Native Heritage Center and Akeela Treatment Services, Inc., and on the boards of the Bering Straits Native Corporation, the Alaska Federation of Natives, Khoanic Broadcast Corporation, the Alaska Native Justice Center, and is a member of the Anchorage Downtown Rotary.


Jeffrey E. Sinz

Appointed by the Governor

Jeffrey E. Sinz was appointed to the board in 1998 by Governor Knowles. Mr. Sinz is currently employed as Chief Fiscal Officer for the Municipality of Anchorage. He has over twenty years experience in public sector financial management and analysis, including fourteen years with the Municipality of Anchorage. Prior to accepting his current position in Anchorage, he served as Director of Finance for the Kenai Peninsula Borough. Mr. Sinz has also held positions with the Alaska Railroad Corporation and prior to moving to Alaska in 1981, with a Wisconsin public school district. He also serves as vice president of the Alaska Municipal League Investment Pool Board of Directors and is on the Board of Directors for the Anchorage Parking Authority. He has an MBA in Management from the University of Alaska Anchorage and a BBA in Finance from the University of Wisconsin Eau Claire.

**Department of Revenue
Treasury Division
Staff**

Commissioner

William Corbus

Chief Investment Officer

Gary Bader

Investment Officers

Bob G. Mitchell, Marketable Debt

Casey Colton

Clay Cummins

Michael T. Oliver, CFA, Alternatives

Philip Bartlett

Stephen R. Sikes

Victor Djajalie

Zachary Hanna

Deputy Commissioner

Tomas Boutin

Comptroller

Susan Taylor, CPA

ASPIB Liaison Officer

Judy Hall

Cash Management

Michelle M. Prebula, MBA, CPA, CCM

External Money Managers and Consultants

Investment Consultants

Callan Associates, Inc.

San Francisco, CA

The Townsend Group

Denver, CO

Relational Investors LLC

San Diego, CA

Tukman Capital Management, Inc.

*San Francisco, CA***Investment Advisory Council**

William Jennings

Colorado Springs, CO

Jerrold Mitchell

Wayland, MA

Timothy O'Brien

*Denver, CO***Domestic Equity Small Capitalization**

Jennison Associates LLC

New York, NY

TCW Asset Management Co.

Los Angeles, CA

Lord Abbett & Co.

Jersey City, NJ

Luther King Capital Management

Fort Worth, TX

Turner Investment Partners, Inc.

*Berwyn, PA***Absolute Return**

Cadogan Management, LLC

New York, NY

Crestline Investors, Inc.

Fort Worth, TX

Mariner Investment Group, Inc.

*Harrison, NY***Domestic Equity Index Fund**

State Street Global Advisors

*Boston, MA***Domestic Fixed Income**

BlackRock Financial Management, Inc.

*New York, NY***Emerging Markets**

Capital Guardian Trust Co.

Los Angeles, CA

J.P. Morgan Fleming Asset Management, Inc.

*New York, NY***Domestic Equity Large Capitalization**

Capital Guardian Trust Co.

Los Angeles, CA

Dresdner RCM Global Investors

San Francisco, CA

McKinley Capital Management, Inc.

*Anchorage, AK***Global Equity**

Lazard Freres Asset Management

New York, NY

External Money Managers and Consultants (con't)

High Yield

ING Investment Management
Hartford, CT
MacKay Shields LLC
New York, NY

Lowe Hospitality Investment Partners, LLC
Los Angeles, CA
Sentinel Real Estate Corporation
New York, NY
UBS Realty Investors, LLC
Hartford, CT

International Equity – EAFE

Bank of Ireland Asset Management (US) Ltd.
Santa Monica, CA
Brandes Investment Partners, L.P.
San Diego, CA
McKinley Capital Management
Anchorage, AK
State Street Global Advisors
Boston, MA
Capital Guardian Trust Co.
Los Angeles, CA

Real Estate – Core Separate Accounts

Cornerstone Real Estate Advisers, Inc.
Hartford, CT
LaSalle Investment Management
Chicago, IL
Sentinel Real Estate Corporation
New York, NY
UBS Realty Investors, LLC
San Francisco, CA

International Fixed Income

Mondrian Investment Partners Limited
London, England

Real Estate – Value Added Separate Accounts

Invesco Realty Advisors
Dallas, TX
Lowe Enterprises Investment Management Inc.
Los Angeles, CA

Private Equity

Abbott Capital Management, L.P.
New York, NY
Blum Capital Partners
San Francisco, CA
Pathway Capital Management, LLC
Irvine, CA

Global Master Custodian

State Street Bank & Trust Co.
Boston, MA

Other

Hancock Agricultural Investment Group
Boston, MA
UBS AgriVest, LLC
Hartford, CT
TCW Asset Management Co.
Los Angeles, CA

Independent Auditors

KPMG LLP
Anchorage, AK

Legal Counsel

Wohlforth, Johnson, Brecht, Cartledge and Brooking
Anchorage, AK

Real Estate – Commingled Funds

Cornerstone Real Estate Advisers, LLC
Hartford, CT
Coventry Real Estate Fund II, LLC
New York, NY
Heitman Capital Management
Chicago, IL
ING Clarion Partners
New York, NY
J.P. Morgan Investment Management Inc.
New York, NY
Lehman Brothers Real Estate Partners
New York, NY

Teachers' Retirement System Investment Report

The Investment Report was prepared by the State of Alaska, Department of Revenue, Treasury Division.

The basis of presentation for the data reported in the investment section is in accordance with the Association for Investment Management and Research (AIMR) Performance Presentation Standards.

INVESTMENTS

The State of Alaska Teachers' Retirement System's (TRS) investment goals are the long term return and sustainability of the pension funds under management. Near-term market fluctuations are integrated into the overall outlook of the fund guidelines. Annually, the Alaska State Pension Investment Board (ASPIB) sets its asset allocation strategy in order to reflect changes in the marketplace while still retaining an optimal risk/return level within the set constraints and objectives of the ASPIB.

During the 2005 fiscal year¹, ASPIB's asset allocation was 36% domestic equities, 15% international equities, 24% domestic fixed income, 2% international fixed income, 9% real estate, 6% private equity, 3% absolute return, 2% high yield fixed income, and 3% other (farmland and energy).

For the 2005 fiscal year, TRS investments generated a 9.01% rate of return. The TRS annualized rate of return was 3.06% over the last five years. The annualized rate of return over the last thirteen and three-quarter years has been 8.75%.

INVESTMENT OVERVIEW

The diversification of the TRS investment portfolio continued to protect overall returns. For the 2005 fiscal year, the real estate portfolio gained 17.43% and the international equity portfolio gained 15.17%.

The U.S equity portfolio generated a 4.48% return down from 20.06% the previous year.

ASPIB continued the systematic increase of TRS investments in real estate and alternative investments. ASPIB added investments in high yield fixed income, absolute return strategies, farmland, and energy to the portfolio with the objective of enhancing returns and reducing risk through diversification.

DOMESTIC ECONOMY

The economy grew at a healthy pace throughout fiscal year 2005. Growth was fairly stable throughout the year ranging from 3% to 4% annual growth each quarter. Economic growth is generally expected to continue this pace heading into calendar year 2006. Employment was also up during the fiscal year with nonfarm payrolls increasing by over 2 million jobs and the unemployment rate dropping from 5.6% to 5% during the fiscal year.

The economy's continued recovery has raised concerns regarding the possible re-emergence of inflation. However, broad measures indicate inflation is contained with the Consumer Price Index increasing 2.5% and the Producer Price Index increasing 3.6% from June 2004 to June 2005. CPI and PPI measures declined to 2.0% and 2.2%, respectively, over the last year. Oil continues to be a concern to the inflation outlook as West Texas Intermediate increased by over \$19 a barrel, a 52% increase to \$56.50, during the fiscal year.

The Federal Reserve raised short-term rates from 1.25% to 3.25% incrementally through 0.25% increases at each of its Federal Open Market Committee (FOMC) meetings during the fiscal year. The FOMC continues to view monetary policy as accommodative and has indicated continued measured removal of this stimulus.

¹ July 1, 2004 – June 30, 2005

Teachers' Retirement System Investment Report

EQUITIES

The Domestic Equity Pool is diversified across large cap value, large cap growth, core, small cap value, and small cap growth equity styles so as to gain broad market exposure. For the 2005 fiscal year, the fund posted a return of 4.48%. This was less than the target return of 6.87%. The annualized domestic equity return for the five-year period was a negative 1.93% from a negative 0.85% in the 2004 fiscal year. Investment guidelines for all asset classes are approved by ASPIB and govern investment objectives, program risk management and implementation, procedures for investment, and other operational requirements. Equity investment guidelines include policies with regard to the types of permissible equity investments, limitations on holding and investment of cash, proxy voting, and restrictions/prohibitions on the use of leverage and derivatives.

Within the International Equity pool the Non-U.S. Equity Style managers invest their assets only in non-U.S. equity securities. This style group excludes regional and index funds. The International Equity pool return was 15.17% which was greater than the target return of 13.65%. The international equity return for the five year period was 1.87% from 2.81% in fiscal year 2004.

FIXED INCOME

The domestic fixed-income portfolio represented 22.5% of the total assets of TRS as of June 30, 2005. The fixed-income portfolio uses a core-oriented strategy investing in U.S. Treasury securities, U.S. government agency securities, investment-grade corporate bonds, and mortgage-backed securities. The benchmark for the TRS bond portfolio is the Lehman Brothers Aggregate Bond Index. Fixed income investment guidelines include policies with regard to duration, credit quality, sector concentration, issue concentration, and company concentration.

Over the 2005 fiscal year, the TRS domestic bond portfolio gained 7.10%, up from 0.61% the year before. The Lehman Brothers Aggregate Bond Index returned 6.80%, versus 0.32% during the 2004 fiscal year. The annualized domestic fixed-income return for the five-year period was 7.63% from 7.11% in the 2004 fiscal year.

The international fixed-income portfolio, which represented about 3.7% of the total assets of TRS, returned 9.84% over the 2005 fiscal year, exceeding the 7.75% posted by the Salomon Brothers Non-U.S. Government Index. The annualized international fixed-income return for the five-year period was 11.19% from 8.40% in the 2004 fiscal year. International fixed income guidelines include policies with regard to duration, credit quality, sector concentration, issue concentration, company concentration, country restrictions, and currency hedging.

During the 2005 fiscal year, TRS began investing in the High Yield Sector of the U.S. Fixed Income Market. High yield fixed income guidelines include policies with regard to duration, credit quality, geographic concentration, sector concentration, issuer concentration, and restrictions/prohibitions on the use of leverage and derivatives. Full year results are not yet available since TRS has been invested in high yield for less than a year.

REAL ESTATE

At the end of the 2005 fiscal year, TRS had 9.6% of its portfolio invested in real estate. The portfolio is primarily invested in specific institutional properties geographically diversified across the U.S. Property types include apartments, offices, industrial, and retail. The portfolio is also invested in value-added real estate funds and REIT equity securities. Investing in real estate helps diversify the overall portfolio due to its low correlation to stocks and bonds. Real estate adds a stable source of income and provides a degree of inflation hedge.

Teachers' Retirement System Investment Report

Real estate guidelines include policies with regard to property quality, geographic concentration, property size, property type, leverage, insurance coverage, and environmental evaluations.

The total return for real estate, net of fees, was 17.43% in fiscal year 2005 compared to 11.55% for the 2004 fiscal year. The five-year annualized net total return was 10.69% from 9.29% in the 2004 fiscal year.

PRIVATE EQUITY

Four point four percent of the TRS portfolio is invested in Private Equity for long-term return enhancement and diversification. Investments are made through three investment managers. These investment managers have invested in over 100 private equity partnerships focused on venture capital, buyouts, or special situations. The private equity portfolio is well diversified by strategy, industry, geography, manager, and time.

During the 2005 fiscal year, the Private Equity component of the TRS portfolio had a net return of 18.10% with a five-year annualized return of 0.49%.

ABSOLUTE RETURN

During the 2005 fiscal year the TRS portfolio began investing in absolute return strategies for additional diversification. Absolute return investments are made through three fund-of-fund managers and are 2.4% of the total portfolio. Each fund is well diversified by strategy and manager and targets a 5% real return with low correlation to equity and fixed income markets. Absolute return policies and procedures include guidelines with regard to investment objectives, investment structure, investment quality, leverage, liquidity, strategy, manager concentration, risk management, and operation of the program. Full year results are not available since TRS has been invested in absolute return for less than a year.

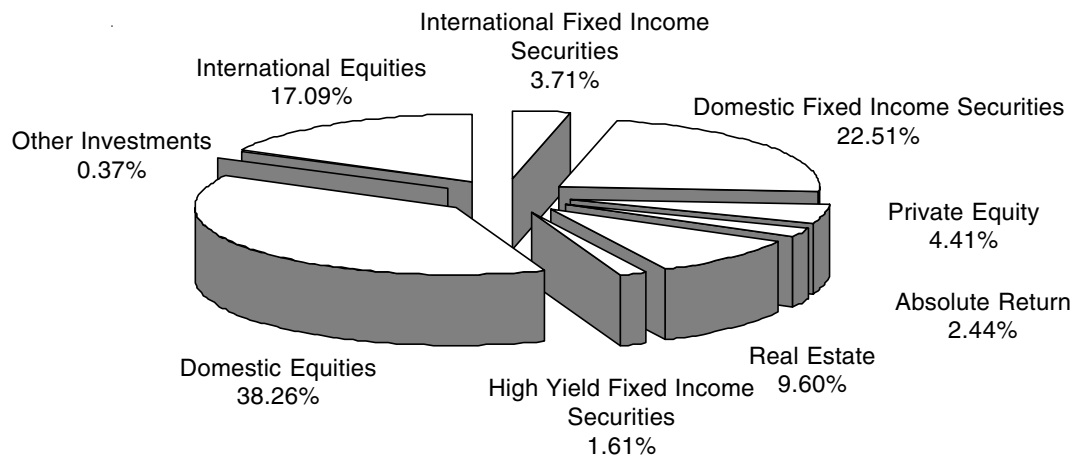
OTHER

The TRS portfolio is also invested in farmland and energy investments. These investments are relatively new and are focused on providing the portfolio with additional diversification. The farmland investments are made through two separate account managers responsible for assembling a well diversified portfolio. The energy investment manager is focused on creating a balanced and diversified portfolio of oil, gas, and electric investments. Collectively, farmland and energy investments represent 0.4% of the overall portfolio and had a net return of 5.51% for the 2005 fiscal year.

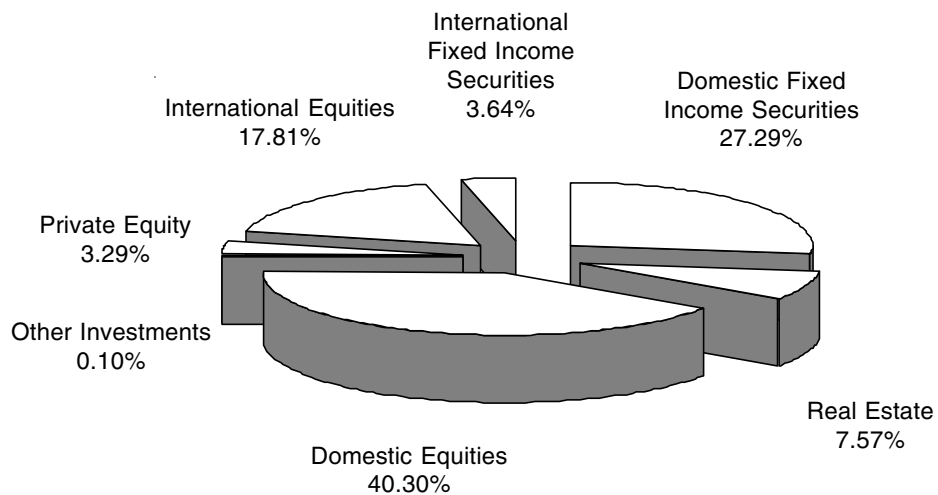
Teachers' Retirement System Schedule of Investment Results Fiscal Years Ended June 30							
	2001	2002	2003	2004	2005	Annualized	
						3 Year	5 Year
Total Fund							
TRS	(5.35%)	(5.49%)	3.68%	15.09%	9.01%	9.16%	3.06%
<i>Actuarial Earnings Rate</i>	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%
U.S. Common Stock Returns							
TRS Domestic Equities	(12.20%)	(16.85%)	(0.97%)	20.06%	4.48%	7.50%	(1.93%)
<i>S&P 500/Russell 2000 Composite</i>	(14.83%)	(17.99%)	0.25%	19.11%	6.87%	9.02%	(0.49%)
International Stock Returns							
TRS International Equities	(16.92%)	(8.24%)	(5.11%)	31.70%	15.17%	12.91%	1.87%
<i>Morgan Stanley Capital International EAFE</i>	(23.83%)	(9.49%)	(6.46%)	32.37%	13.65%	12.06%	(0.55%)
Domestic Fixed Income							
TRS	11.93%	8.16%	10.70%	0.61%	7.10%	6.05%	7.63%
<i>Lehman Brothers Aggregate Index</i>	11.22%	8.63%	10.40%	0.32%	6.80%	5.76%	7.40%
International Fixed Income							
TRS	(5.68%)	22.56%	24.48%	7.52%	9.84%	13.70%	11.19%
<i>Salomon Non-U.S. Government</i>	(7.43%)	15.73%	17.90%	7.60%	7.75%	10.98%	7.93%
Real Estate Equity							
TRS	11.37%	5.24%	8.97%	11.55%	17.43%	12.60%	10.69%
<i>NCREIF</i>	11.15%	5.60%	7.64%	10.83%	18.02%	12.08%	10.63%
<p>S&P 500 = Standard & Poor's Domestic Equity Stock Index EAFE = Europe, Australia, and Far East Stock Index NCREIF = National Council of Real Estate Investment Fiduciaries Index</p> <p>The calculation of investment results were prepared using a time-weighted rate of return based on the market rate of return in accordance with the Association for Investment Management and Research (AIMR) Performance Presentation Standards.</p>							

Teachers' Retirement System Trust Fund Actual Asset Allocation

June 30, 2005



June 30, 2004



**Alaska State Pension Investment Board
Top Ten Holdings by Asset Type
June 30, 2005**

Invested assets under the fiduciary responsibility of the Alaska State Pension Investment Board (ASPIB) have been commingled in various investment pools to minimize costs and maximize returns. Treasury Division has created twelve different mutual fund-like pools to accomplish the investment asset allocation policies of the ASPIB. Using investment pools increases investment efficiency in three ways. First, combining individual funds' cash inflows and outflows to offset each other reduces the amount of cash on hand needed to support daily operations. Second, pooling investments significantly reduces accounting, budgeting, and administrative costs. Finally, the ASPIB can achieve economies of scale by making available investment options that could not otherwise be practically provided for smaller retirement funds. Following are the ten largest bond holdings and the ten largest equity holdings by market value as of June 30, 2005.

	Rank	Fair Value	Par Values/ Shares	Security	Coupon	Due	Credit Rating
Bonds	1	\$70,191,563	\$70,500,000	Federal National Mtg. Assn.	5.00%	9/1/2035	Not Rated
	2	\$57,739,829	\$39,350,000	U.S. Treasury Bond	8.50%	2/15/2020	Not Rated
	3	\$53,370,405	\$53,530,000	U.S. Treasury Note	3.50%	5/31/2007	Not Rated
	4	\$36,434,882	\$36,768,000	U.S. Treasury Note	3.00%	12/31/2006	Not Rated
	5	\$33,759,824	\$68,000,000	Federal National Mtg. Assn.	0.00%	10/09/2019	AA-
	6	\$32,674,958	\$32,204,860	Federal National Mtg. Assn.	5.50%	4/1/2034	Not Rated
	7	\$30,788,074	\$30,676,656	Merrill Lynch Mtg. Invs Inc.	4.76%	12/25/2034	AAA
	8	\$25,452,697	\$25,161,058	Federal National Mtg. Assn.	5.29%	5/25/2009	Not Rated
	9	\$25,295,962	\$25,200,000	Federal Home Loan Mtg. Assn.	5.125%	11/07/2013	Not Rated
	10	\$24,897,545	\$16,643,000	U.S. Treasury Bonds	9.125%	5/15/2018	Not Rated
Equities	1	\$143,031,735	4,127,900	General Electric Co.			
	2	\$85,237,090	1,483,158	Exxon Mobil Corp.			
	3	\$78,768,137	3,171,020	Microsoft Corp.			
	4	\$77,641,460	1,194,484	Johnson & Johnson			
	5	\$69,246,120	1,284,000	Pepsico Inc.			
	6	\$64,926,013	1,404,413	Citigroup Inc.			
	7	\$64,718,117	1,050,960	Wells Fargo Company			
	8	\$59,401,680	1,232,400	Wal Mart			
	9	\$55,312,407	2,005,526	Pfizer Inc.			
	10	\$52,882,340	712,700	IBM			

Additional investment information on the various pools and investments may be obtained from the Department of Revenue, Treasury Division, P.O. Box 110405, Juneau, Alaska 99811-0405.

Teachers' Retirement System
Schedule of Investment Management Fees
Year Ended June 30, 2005

	Fair Value of Pooled Assets Under Management of all Retirement Funds in Pool as of June 30, 2005	Fees
External Management Fees		
Domestic Fixed Income		
BlackRock Financial Management	\$ 857,480,531	\$ 473,689
International Fixed Income		
Mondrian Investment Partners	470,909,750	227,284
High Yield Pool		
ING Investment Management	101,872,269	36,660
MacKay Shields, LLC	101,297,351	30,590
Total High Yield	203,169,620	67,250
Domestic Equity Pool		
Cap Guardian Trust Co.	440,734,606	404,330
TCW Asset Management Company	324,617,017	703,003
SSgA S&P 500 Index Fund	1,605,944,030	92,443
Invesco, Enhanced Index	-	69,971
Jennison Associates, LLC	161,594,778	-
Lord Abbett & Co	160,729,875	58,836
Luther King Capital Management	106,891,181	-
Lazard Freres	422,050,861	403,809
McKinley Capital Mgmt.	305,639,340	352,869
Dresdner RCM Global Investors	425,276,241	410,689
Relational Investors, LLC	262,867,859	-
SSgA Russell 2000	11,014,995	10,754
Tukman, Value	373,817,109	716,044
Turner Investment Partners	271,806,009	506,643
Total Domestic Equity Pool	4,872,983,901	3,729,391
Private Equity Pool		
Blum Capital Partners-Strategic	6,060,606	-
Blum Capital Partners-Public	21,546,700	6,016
Pathway Capital Management LLC	111,026,204	199,438
Abbott Capital	418,704,720	352,968
Total Private Equity	557,338,230	558,422
International Equity Pool		
Bank of Ireland Asset Mgmt.	666,272	325,586
Brandes Investment Partners	702,725,943	970,288
Cap Guardian Trust Co	416,217,173	459,496
Lazard Freres	439,646,229	420,361
McKinley Capital Management	203,763,215	31,397
State Street Global Advisors (SSga)	204,391,056	41,728
Total International Equities	1,967,409,888	2,248,856

Teachers' Retirement System
Schedule of Investment Management Fees (con't)
Year Ended June 30, 2005

	Fair Value of Pooled Assets Under Management of all Retirement Funds in Pool as of June 30, 2005 (con't)	Fees (con't)
External Management Fees (con't)		
Absolute Return Pool		
Mariner Investment Group	102,784,100	199,930
Cadogan Management LLC	101,608,405	173,130
Crestline Investors, Inc.	<u>104,637,516</u>	<u>184,327</u>
Total Absolute Return	<u>309,030,021</u>	<u>557,387</u>
Other Investment Pool		
TCW Energy Fund	22,152,744	59,086
UBS Agrivest, LLC	18,437,180	3,356
Hancock Agricultural Investment Group	<u>6,016,762</u>	<u>3,170</u>
Total Other Investment	<u>46,606,686</u>	<u>65,612</u>
Emerging Markets Equity Pool		
JP Morgan Investment Mgmt.	98,174,011	267,361
The Capital Group Inc.	<u>108,102,297</u>	<u>210,524</u>
Total Emerging Market	<u>206,276,308</u>	<u>477,885</u>
Total External Management Fees	<u>\$9,491,204,935</u>	8,405,776
Other		
Custodian		
State Street Bank & Trust Co.		<u>386,501</u>
Investment Advisory		
Callan Associates		35,384
The Townsend Group		<u>71,651</u>
Total Investment Advisory		<u>107,035</u>
Investment Performance Measurement		
Callan Associates		<u>48,899</u>
Miscellaneous		
Securities Lending		6,213,581
Other		<u>4,078</u>
Total Miscellaneous		<u>6,217,659</u>
Total Other Fees		<u>6,760,094</u>
Total External Investment Fees		<u>\$15,165,870</u>

**Teachers' Retirement System
Investment Summary Schedule
June 30, 2005**

	Asset Allocation Policy	Range	Market Value	% of Asset Class	% of Total Assets
Participation in Pools Owning					
Fixed Income Securities					
Domestic					
Short-Term Fixed Income Pool			\$ 585,538	0.06%	0.01%
Retirement Fixed Income Pool			637,072,215	70.29%	15.82%
External Domestic Fixed Income Pool			<u>268,688,033</u>	<u>29.65%</u>	<u>6.67%</u>
Total Domestic Fixed Income	24%	21-27%	906,345,786	<u>100.00%</u>	22.51%
International					
International Fixed Income Pool	<u>2%</u>	<u>0-4%</u>	<u>149,204,976</u>	<u>100.00%</u>	<u>3.71%</u>
High Yield					
High Yield Fixed Income Pool	<u>2%</u>	<u>0-4%</u>	<u>64,726,076</u>	<u>100.00%</u>	<u>1.61%</u>
Total Fixed Income Securities	<u>28%</u>	<u>21-35%</u>	<u>1,120,276,838</u>		<u>27.82%</u>
Domestic Equities					
Small cap⁽¹⁾					
Domestic Equity Pool					
Total Small Cap Domestic Equities and Alternative Investments	6%	3-9%	<u>327,962,769</u>	<u>21.29%</u>	<u>8.15%</u>
Large cap					
Domestic Equity Pool-active			704,991,952	45.76%	17.51%
Domestic Equity Pool-passive			<u>507,615,098</u>	<u>32.95%</u>	<u>12.61%</u>
Total Large Cap Domestic Equities	<u>30%</u>	<u>27-33%</u>	<u>1,212,607,050</u>	<u>78.71%</u>	<u>30.12%</u>
Total Domestic Equities	<u>36%</u>	<u>30-42%</u>	<u>1,540,569,819</u>	<u>100.00%</u>	<u>38.26%</u>
International Equities					
International Equity Pool			615,742,632	89.50%	15.29%
Emerging Markets Equity Pool			<u>72,200,332</u>	<u>10.50%</u>	<u>1.79%</u>
Total International Equities	<u>15%</u>	<u>12-18%</u>	<u>687,942,964</u>	<u>100.00%</u>	<u>17.09%</u>
Alternative Investments					
Private Equity Pools	6%	2-10%	<u>177,495,095</u>	<u>100.00%</u>	<u>4.41%</u>
Other Investment Pools	3%	0-6%	<u>14,843,683</u>	<u>100.00%</u>	<u>0.37%</u>
Absolute Return Pool	3%	0-6%	<u>98,416,990</u>	<u>100.00%</u>	<u>2.44%</u>
Real Estate					
Mortgages, net of allowances			47,635	0.01%	0.00%
Real Estate Pool			<u>386,709,217</u>	<u>99.99%</u>	<u>9.60%</u>
Total Real Estate	<u>9%</u>	<u>6-12%</u>	<u>386,756,852</u>	<u>100.00%</u>	<u>9.60%</u>
Total Invested Assets	<u>100%</u>		<u>\$ 4,026,302,241</u>		<u>100.00%</u>

⁽¹⁾ Includes only securities held by those managers with small cap mandates. Does not include small cap holdings which may be held in other managers' portfolios.

**Alaska State Pension Investment Board
Recaptured Commission Fees Received in FY 2005**

	<u>Domestic Equity</u>	<u>International Equity</u>	<u>Total</u>
PERS	\$ 1,026,910	231,901	1,258,811
TRS	483,462	107,836	591,298
Judicial	9,435	2,340	11,775
Military	<u>1,407</u>	<u>303</u>	<u>1,710</u>
Total	<u><u>\$ 1,521,214</u></u>	<u><u>342,380</u></u>	<u><u>1,863,594</u></u>

The Alaska State Pension Investment Board (ASPIB) has had a commission recapture program in place since 1995 working directly with brokerage firms. In fiscal year 2005, ASPIB enhanced its Commission Recapture program by selecting State Street Global Markets to administer the program on its behalf. Under a commission recapture program a portion of the commissions and mark-ups on trades (placed through the State Street broker network) flow directly back to the fund. The program allows brokers to place trades for commission recapture purposes, if the direction continues to fulfill their fiduciary obligation to achieve best execution of transactions. ASPIB has not established direction percentages for the managers to strive for, but instead has requested their involvement as a means to enhance the portfolio return over time.

The current rebate arrangement with State Street Global Markets is: 80% of the brokerage commissions earned in executing domestic equity transactions; 72% of the brokerage commissions earned in executing domestic equity transactions via correspondent brokers; and, 60% of the brokerage commissions earned in executing international equity transactions.

**Alaska State Pension Investment Board
Securities Lending Income in FY 2005**

Securities lending income	\$ 6,899,706
Securities lending expense:	
Borrower rebates	6,079,989
Management fees	<u>133,592</u>
Total securities lending expense	<u>6,213,581</u>
Net securities lending income	<u>\$ 686,125</u>

Alaska Statute 37.10.071 authorizes the ASPIB to lend assets, under an agreement and for a fee, against deposited collateral of equivalent fair value. ASPIB has entered into an agreement with State Street Corporation (the Bank) to lend equity and domestic fixed income securities. The Bank, acting as the ASPIB's agent under the agreement, transfers securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

Cash collateral is invested in a registered 2(a)-7 money market fund which is valued at amortized cost, which approximates fair value. ASPIB does not have the ability to pledge or sell securities collateral unless the borrower defaults.

Income as a result of the investment of cash collateral is recorded in the System's financial statements as interest. Securities lending expense is recorded in the System's financial statements as investment expense.